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Union Proposal Wins Key Vote In Montgomery

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Leaders of Montgomery County's largest union won a key victory yesterday when County Council members backed plans to expand labor's role in overseeing the county's $3 billion employee retirement system.

Council members on the fiscal committee recommended, in a 2 to 1 preliminary vote, increasing the number of union representatives to five from three on the board that controls Montgomery's retirement investments. The decision followed a rancorous discussion marked by allegations of character defamation, bribery and McCarthyism.

The majority of the committee rejected the guidance of the council's top adviser, who had cautioned that the board needs "investment experts, not bar-

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gaining experts" and that "politics and pension funds are a toxic mix."

Representatives for more than 5,000 retired county employees also argued against the expansion, saying such a move would dilute the voice of retirees, nonunion workers and taxpayers, who are ultimately on the hook for any shortfalls in the county's pension obligation.

At issue was a provision of the contract negotiated by County Executive Isiah Leggett (D) and the Municipal and County Government Employee Organization to expand union membership on the board and make the union's president a permanent member of the panel.

Council members Valerie Ervin (D-Silver Spring) and Duchy Trachtenberg (D-At Large) sided with the union and Leggett. Joseph Adler, who oversees negotiations for Leggett, said yesterday that "all those who have a stake should have a seat at the table" and that the board "is large enough that no one faction is going to dominate."

Council member Don Praisner (D-Eastern County), in his first vote since being sworn in to succeed his late wife, Marilyn, voted against the proposal. He said the expansion would make the board "too unwieldy" and not necessarily increase its effectiveness.

Taxpayers fund 87 percent of the county's nearly $3 billion retirement system. Until 2004, the nine-member board had one union representative, one retiree representative, one nonunion employee representative, two public trustees with investment experience and four senior county managers.

Four years ago, then-County Executive Douglas M. Duncan agreed to add two more union members and two more public members for a total of 13 on the board.

If the fiscal committee's recommendation is approved by the full council, the board would add two more union members and one more public member, for a total of 16.

Suzanne Hudson, president of the Montgomery County Retired Employees' Association, said making the Municipal and County Government Employee Organization's president an ex officio member would say "that they are a third arm of county government."

In a strongly worded memo to the council, staff director Steve Farber questioned the track record of union leaders as fiscal stewards and said they have shown divided loyalties and made decisions not in the "best interest of participants and beneficiaries."

Farber, the longest-serving member of the board, said the union's push to create a separate deferred compensation plan for its members in 2004 and the splitting of assets from nonunion members have led to higher fees and potentially lower account balances. Union leaders sought to break away from the county plan so they could have greater control over the tax-deferred retirement investments of their members.

In a comparison of investment fund options that the two plans have in common, the union's plan charges higher fees, according to Farber's analysis. Farber said that the county's fees would be even lower had the assets remained as one and that over time the higher fees charged by the union plan will result in smaller account balances for participants.

Carey Butsavage, an attorney for the Municipal and County Government Employee Organization, said Farber used outdated and inaccurate data in his analysis and did not account for other factors such as returns and client service.

Farber also included a letter in his memo from the president of the firefighters union, John Sparks, soliciting contributions of up to $5,000 from the board's 18 investment managers for an event the union was hosting. Board members tried unsuccessfully to prohibit such solicitations to avoid the perception of a "pay-to-play culture that still infects the public pension world," Farber wrote.

Gino Renne, president of the Municipal and County Government Employee Organization, angrily disputed Farber's memo, shaking his head at what he said was the equivalent of calling Renne a liar, a thief and a cheat. He told Farber, "You'll get my responses in the court of law."

"I welcome it," Farber shot back.

Renne said there was nothing improper about Sparks's letter, as he was not a member of the investment board at the time. He called the suggestion of impropriety an example of "Mr. Farber's McCarthyisms."

"It is absolutely essential that the employees who contribute to this fund have substantial say in how this money is invested," Renne wrote in a letter to council President Michael Knapp (D-Upcounty).